

IN THE
Supreme Court of the United States

OCTOBER TERM, 1977.

No. **77-935**

HELENE CURTIS INDUSTRIES, INC.,
Petitioner,

vs.

CHURCH & DWIGHT CO., INC., and
ALLIED CHEMICAL CORPORATION,
Respondents.

CHURCH & DWIGHT CO., INC.,
Respondent,

vs.

HELENE CURTIS INDUSTRIES, INC., and
N. W. AYER & SON, INCORPORATED,
Petitioners.

(Consolidated Causes)

**PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT.**

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Petitioner, Helene Curtis Industries, Inc., prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Seventh Circuit.

OPINIONS BELOW.

The opinion of the Court of Appeals is reported at 560 F. 2d 1325 (1977) and is reprinted in the Appendix to this petition (A. 1-19). The Findings of Fact and Conclusions of Law of the District Court for the Northern District of Illinois, Eastern Division (McGarr, D. J.), are reported at 1977-1 Trade Cases ¶ 61,278 (N. D. Ill. 1977) and are reprinted at A. 104-122.

JURISDICTION.

The judgment of the Court of Appeals, affirming the order of the District Court granting a temporary injunction, was entered on August 17, 1977. A timely petition for rehearing was denied by the Court of Appeals on September 30, 1977. The jurisdiction of this Court is invoked under 28 U. S. C. § 1254(1).

QUESTIONS PRESENTED.

1. In a trademark infringement action, was it error for the courts below to grant a preliminary injunction where defendant properly pleaded and the record contained evidence to the effect that plaintiff has used and is using its trademark in violation of antitrust laws and public policy (a) to obtain and maintain its 100% monopoly of the baking soda market, and (b) to expand that monopoly to new products developed by others, including Petitioner's product?

2. Was it error for the Court of Appeals, in affirming an order of preliminary injunction, to hold that antitrust defenses are not a complete defense to a trademark infringement action, but are of "limited applicability and viability" to trademark infringement claims?

3. Did the Court of Appeals err in construing Section 33(b)(7) of the Trademark Act of 1946 (*infra*) by holding that its total effect is merely to provide that antitrust defenses

are available "to defeat the conclusive evidentiary force that would otherwise attach to a trademark certificate. . . ."

4. Was it error for the courts below to order a preliminary injunction in this case without specifically addressing themselves to the evidence of the use of the trademark in violation of the antitrust laws and without finding a "likelihood that plaintiff would prevail" on the merits of this issue at trial?

5. In a trademark infringement action, was it error for the courts below to grant a preliminary injunction which effectively terminated Petitioner's business in the product at issue, where, because of the courts' conclusion that antitrust violations constitute only a severely limited defense to a trademark infringement action, (a) Petitioner had been enjoined from discovery relating to the antitrust issues; and (b) the district court, in a jury trial case, had ordered that those issues should be tried separately from and subsequently to the "infringement issues" and that the "trademark issues" should be decided prior to and separate from the "antitrust issues"?

6. Where, in an action for trademark infringement brought by a plaintiff which has a 100% monopoly of the consumer baking soda market, the trademark had been and was being used (a) to establish and maintain plaintiff's monopoly, (b) to embrace every new product-opportunity using baking soda, and (c) to foreclose competition by others who sought to introduce and market products containing baking soda, was it error for the Court of Appeals to hold that this defense was "remote and unrelated" and of "questionable legal sufficiency"? (560 F. 2d at 1337, A. 19.)

7. Did the Court of Appeals err in affirming the preliminary injunction and refusing to consider and set aside the District Court's Rule 42(b) order prohibiting defendant from engaging in discovery on its "antitrust defenses" and mandating a separate and subsequent trial and adjudication of the "antitrust issues" following determination of the "infringement issues"?

8. Did the Court of Appeals err in refusing to set aside the preliminary injunction and the Rule 42(b) order in face of the facts: (a) that, although the motion for preliminary injunction was not filed until 13 months after institution of this action, defendant/petitioner was precluded by the order from discovery on the "antitrust issues," which would have been highly relevant to the determination of the preliminary injunction; and (b) that jury trial had been demanded and the effect of the Rule 42(b) order was to deny defendant/petitioner its right to effective trial by jury of its antitrust, unclean hands and public policy defenses to the infringement action?

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED.

1. *Constitution of the United States*: Fifth Amendment; Seventh Amendment.

2. *The Trademark Act of 1946* (as amended) (the "Act"), 15 U. S. C. §§ 1064 ff. Specifically,

(a) Section 33(a) of the Act (15 U. S. C. § 1115(a)):

"(a) Any registration . . . of a mark . . . shall be prima facie evidence of registrant's exclusive right to use the registered mark on the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered."

(b) Section 33(b)(7) of the Act (15 U. S. C. § 1115(b)(7)):

"(b) If the right to use the registered mark has become incontestable under section 15 hereof, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section 15 subject to any conditions or

limitations stated therein *except* when one of the following defenses or defects is established:

* * * * *

"(7) That the mark has been or is being *used* to violate the antitrust laws of the United States." (Emphasis supplied.)

3. *Sherman Act*, §§ 1 and 2 (15 U. S. C. §§ 1 and 2).

4. *Federal Rules of Civil Procedure*:

Rule 42(b). Separate Trials. "The court, in furtherance of convenience or to avoid prejudice, or when separate trials will be conducive to expedition and economy, may order a separate trial of any claims, cross-claim, counterclaim, or third-party claim, or of any separate issue or of any number of claims, cross-claims, counterclaims, third-party claims, or issues, *always preserving inviolate the right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States.*" (Emphasis supplied.)

Rule 38. Jury Trial of Right. "(a) *Right Preserved.* The right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States shall be preserved to the parties inviolate."

STATEMENT OF THE CASE.

A. The Facts.

Plaintiff/respondent, Church & Dwight (Church) is the owner of the trademark "Arm & Hammer" which it uses for a variety of baking and household products. It has, and for many years has had, a 100% monopoly of the consumer market in baking soda. Church is the registrant of 19 Arm & Hammer marks for a variety of products for use in baking, cleaning and household cleaning and deodorizing. Prior to the events here in issue, Church was engaged in the manufacture and sale of the following products: baking soda, washing soda, laundry detergent, borax, and an oven cleaner (A. 134.) It had marketed

and abandoned baking powder, disinfectant and germicide spray, and garbage can spray.

As appears in a letter to one of Church's product managers Church's "product line has consisted of non-personal care products". (A. 146.) Neither at nor before the time when petitioner/defendant introduced its "Arm in Arm" underarm personal deodorant containing baking soda, was Church engaged in the manufacture or sale of any toiletry or similar personal care article or deodorant. It was only after defendant introduced its personal deodorant "with baking soda," and to counter that product, that plaintiff hastily began marketing its "Arm & Hammer" personal deodorant—labelled and advertised as "The Baking Soda Deodorant." As Church's representatives stated on deposition, it was "the first truly toiletry item that we as a company were engaged in selling. . . ." (A. 136); its "first product that was actually specifically sold for personal use." (A. 135.)

Petitioner Helene Curtis (Curtis) is a well-known manufacturer and distributor of cosmetics and personal care products. It developed and introduced in the marketplace the first personal underarm deodorant containing baking soda. On October 8, 1974, prior to launching the product, representatives of Curtis consulted with Church concerning the availability of baking soda for inclusion as an ingredient of toiletry items, which Church personnel soon decided was specifically to be a personal deodorant. December 30, 1974, Curtis filed an application with the United States Patent and Trademark Office to obtain federal registration of the trademark "Arm in Arm" for an "anti-perspirant and personal deodorant used primarily as a personal deodorant." Counsel for Curtis had submitted their opinion that the trademark was available for the indicated use by Curtis. The Patent and Trademark Office approved the application for publication without citing the Arm & Hammer trademark.

On July 24, 1975, about seven months after Curtis had filed its application, Church filed an application for registration of

its Arm & Hammer trademark as applied to a personal deodorant—the first it had ever filed for such a product.

Curtis proceeded, in accordance with its established marketing practices, to advertise and test market its product, featuring the fact that the product contained baking soda. Prior to termination of its sales because of the preliminary injunction, Curtis had expended about \$6,000,000 in advertisement and promotion of the product.

Shortly thereafter, on May 16, 1975, respondent Church instituted this action for trademark infringement and unfair competition. In June and July, without the test marketing which is usual for new products, Church began selling a personal, underarm deodorant under its trademark "Arm & Hammer", which it represented to be "*The Baking Soda Deodorant*". (Emphasis supplied.) In its efforts to combat Curtis' baking soda product, Church spent several million dollars in advertising and promotion of its product. After affirmance of the temporary injunction by the Seventh Circuit, Curtis terminated the marketing of its product under its trademark Arm in Arm.

B. The Proceedings Below.

The Pleadings. The present action was initially filed by Church in the United States District Court for the Western District of New York. Church sought an injunction, accounting and damages for infringement, dilution and disparagement of its trademark Arm & Hammer, and for unfair competition. (A. 20-37.) It demanded jury trial of the issues raised by the complaint and answer.

Curtis denied the material allegations of the complaint and asserted affirmative defenses and counterclaims. (A. 50-72; 73-97.) So far as here relevant, its affirmative defenses were based on antitrust, public policy and "unclean hands" allegations. In brief, Curtis alleged that respondent had used and was using its trademark to establish and maintain its 100% monopoly of baking soda and products containing baking soda; to preempt and en-

gross the sale of any new consumer products containing baking soda; to prevent the introduction of any consumer product of any type or description containing baking soda which any other entity might offer for sale and to destroy the marketability of any such product; and to engage in restrictive, unfair and predatory practices to prevent and destroy any competition in consumer products containing baking soda. (A. 50-72; 73-97.)

The Rule 42(b) Order. On August 17, 1975, Church moved, pursuant to Rule 42(b), Fed. R. Civ. P. 42(b), for a separate trial and adjudication of the so-called trademark issues "in advance of the antitrust issues and a stay of proceedings in the antitrust issues until after a determination of the trademark issues." (A. 98.) Its motion was based on the contention that antitrust allegations do not constitute a defense to an action for trademark infringement. On February 25, 1976, the District Court granted respondent's motion. (A. 98-100.) It noted that plaintiff had demanded a jury trial of all issues, but it held, in effect, that the complaint could be adjudicated and the jury could make its determination of the validity of the trademark and its enforceability and liability for infringement could be decided, without hearing or deciding the antitrust defenses. Accordingly, it ordered that plaintiff's claim of trademark infringement and its prayer for accounting and damages should be first "tried and decided" (A. 100) before either discovery or trial on the "antitrust" issues would be allowed to proceed. Specifically, it ordered "a separate trial of the issues raised by the defendant's affirmative defense and counterclaim after the trial of the issues raised by the complaint." It stayed all proceedings on such "antitrust" defenses "*including discovery*" "*until the issues raised by the complaint have been tried and decided.*" (A. 100.) (Emphasis supplied.) The District Judge refused to certify this order for appeal. Petitioner sought mandamus from the Second Circuit, which was denied in a brief order on July 8, 1976.

The Preliminary Injunction. After entry of the District Court's order on February 25, 1976, discovery proceeded, but by reason

of the order, discovery as to the antitrust and related public policy and unclean hands defenses was barred. On June 10, 1976, about four months after entry of the Rule 42(b) order and more than a year after it had instituted its action, Church filed a motion for preliminary injunction which resulted in the order to which this petition for certiorari relates. Defendant Curtis opposed the motion on a variety of grounds, including the evidence in the record which Curtis had been able to assemble, despite the Rule 42(b) order, that the trademark had been misused in violation of the antitrust laws. Curtis emphasized that, because of the Court's Rule 42(b) order, it had not been permitted, in its discovery proceedings, fully to develop evidence to establish its antitrust and related defenses. This was evidence, hereinafter described in more detail, showing that Church had a 100% monopoly of the consumer market in baking soda, and that it had consistently and aggressively, over a period of many years, used its trademark "Arm & Hammer" to protect and expand that monopoly and to harass and exclude or drive from the market any consumer product, other than its own, containing baking soda.

The motion for preliminary injunction had not been ruled on by the Court in the Western District of New York when on November 17, 1976, that Court transferred the action to the Northern District of Illinois, Eastern Division.¹ On January 24, 1977, the Court in the Northern District of Illinois entered its preliminary injunction order against Curtis. It will be noted that this was almost a year after the entry of the Rule 42(b) order—a year during which extensive discovery took place which, by reason of that order, did not include the antitrust and

1. The Court in Illinois consolidated the action with a separate antitrust action which Curtis had filed against Church and Allied Chemical Corporation in the Northern District of Illinois, in which Curtis alleged, among other claims, the antitrust violations that it had alleged as defenses and counterclaims in the action instituted by Church. By that time Curtis' advertising agency, N. W. Ayer & Son Incorporated, had also been named as a defendant along with Curtis. N. W. Ayer has advised that it joins in this Petition.

related issues although, obviously, except for the Rule 42(b) prohibition, many of the witnesses on deposition and much of the ground covered could, at the same time, have been utilized for discovery on the "antitrust" issues.

The preliminary injunction order was appealed to the Court of Appeals for the Seventh Circuit which granted a stay *pendente lite*. On August 17, 1977, the Seventh Circuit vacated its stay and affirmed the preliminary injunction (A1-19), and subsequently denied rehearing. Petitioner Curtis seeks certiorari from this Court to review this determination.

C. Decisions Below.

The District Court made and entered its *Findings and Conclusions* in support of its preliminary injunction. (A. 104-122.) It concluded that Church's trademark "Arm & Hammer" is valid and that, in selling personal deodorants under the trademark "Arm in Arm," advertised and packaged with the legend "with baking soda," Curtis had infringed Church's trademark.

The court did not consider the merits of Curtis' allegations or the evidence before it, as to the "antitrust" defenses. It made no findings whatever as to the likelihood that Curtis would succeed or fail to establish these defenses—an essential finding if the "antitrust" contentions are, as a matter of law, a defense or bar to the infringement claim. The District Court's sole comment on the "antitrust" issues is Conclusion of Law 4 (A. 122):

"4. None of the evidence before the court shows that confusion involving Arm in Arm and Arm & Hammer has been caused or is likely to be caused by any monopolization or attempted monopolization by plaintiff of Baking Soda or products containing Baking Soda."

Thus the District Court did two things with respect to the evidence relating to Curtis' "antitrust" defenses:

1. Curtis' argument that it was Church's antitrust violations, not any alleged similarity between trademarks, that caused any consumer confusion that might be shown pre-

sented an argument keyed to the language of causation that is contained in Sec. 32(1) of the Trademark Act (15 U. S. C. 1114(1)). From Conclusion 4 quoted above, it is seen that the District Court rejected this argument of Curtis—that the causation called for by the Trademark Act has *not* been shown by Church—on the sole ground that Curtis had not put evidence in the record to support that charge, when the fact is that *Curtis was expressly ordered by the Court itself not to attempt to discover such evidence!*

2. Curtis' second argument is that regardless of what may have caused any consumer confusion that may be shown, Church's various trademark misuses violative of the antitrust laws bar enforcement of its trademark. The District Court's total silence as to whether Curtis is likely to succeed in proving these trademark misuse antitrust defenses demonstrates that the Court believed that any conclusion on this issue was unnecessary. And this belief could only have been based on the erroneous conclusion that the use of a trademark to violate the antitrust laws does not constitute a full defense to a trademark infringement action.

In other words, the District Court mistakenly concluded that the use of a trademark for monopolistic purposes or in violation of antitrust law and public policy does not impair the owner's right to enlist the aid of the courts to enforce the mark: that is, that a trademark may be enforced and injunctive relief granted regardless of any showing as to the trademark's use for prohibited antitrust objectives. Whether an injunction is lawful in such circumstances is the basic issue presented by this petition for certiorari.

On appeal, the Court of Appeals for the Seventh Circuit affirmed. The court discussed the "antitrust issue" only under the heading of and only in connection with its consideration of Curtis' contention that the Rule 42(b) order was invalid and

improper.² The Court of Appeals did not discuss the substance of Curtis' allegations or the evidence in support thereof. It noted that Curtis argued that "the misuse of a trademark in violation of antitrust laws is a complete defense to a trademark infringement suit, and that Church & Dwight's 'antitrust violations in the consumer market for baking soda have converted its trademark Arm & Hammer into a powerful, anticompetitive device'." (560 F. 2d at 1335, A. 14.) The court did not agree with this statement of the law. On the contrary, it held, on the legal issue, that "antitrust defenses to trademark infringement claims" were of "*limited applicability and viability*". (560 F. 2d at 1337, A. 19.) (Emphasis supplied.) It asserted that "the defense of antitrust misuse is largely available to defeat the conclusive evidentiary force that would otherwise attach to a trademark certificate under the [Lanham] Act".³ (Emphasis supplied.) (560 F. 2d at 1336, A. 16.) It did not in any way or degree discuss Curtis' specific allegations of antitrust violations or the evidence thereof which was in the record. It dismissed the matter by referring to "the questionable legal sufficiency of Curtis' allegations of antitrust violations," and made the assertion that "while no proof has yet been adduced by Curtis due to the order it challenges, the allegations of its affirmative defense concern marketing violations involving the baking soda market, rather than misuse of the Arm & Hammer trademark itself." (560 F. 2d at 1337, A. 18.)

2. As to Curtis' contention that the Rule 42(b) order was invalid, the Court of Appeals erroneously concluded that although it had jurisdiction to review the order as involving a question that was basic to and that underlay the order granting the preliminary injunction, the antitrust defenses were not concerned with such basic and underlying issues raised in connection with the appeal. The court also erroneously concluded that even though it had jurisdiction to review the Rule 42(b) order as an incidental discretionary order, the district court judge issuing the order had not abused his discretion.

3. Quoting *Carl Zeiss Stiftung v. VEB Carl Zeiss Jena*, 298 F. Supp. 1309, 1312 (S. D. N. Y. 1969), aff'd. in relevant part without discussion, 433 F. 2d 686 (CA 2, 1970). At the appellate level, Zeiss primarily involved other issues, and certiorari was denied, 403 U. S. 905 (1971).

As we shall show, this assertion has no basis whatever because Curtis' answer, as supplemented, includes comprehensive and exhaustive allegations of the use of the trademark to sustain and expand the 100% monopoly of Church. Among these are allegations as to the use of the trademark to prevent competition by instituting infringement litigation; threatening customers with infringement action; use of "fighting products" under the name of Arm & Hammer; engaging in predatory practices which constitute "unclean hands"; and public policy considerations stemming from Church's 100% monopoly and its predatory practices. (A. 50-72; 73-97.) Further, the record upon which the preliminary injunction was granted contained substantial evidence in support of those allegations, despite the fact that Curtis had been prohibited from discovery on these issues during the period of almost a year between entry of the Rule 42(b) order and the issuance of the preliminary injunction.

In short, the decision below stands for the proposition that "antitrust defenses" are "of limited applicability and viability" to the issue of enforceability of a trademark in a trademark infringement action so that they need not be specifically considered and evaluated for purposes of a preliminary injunction even though the effect of such injunction in trademark cases, as in the present case, is to destroy, beyond practical possibility of revival, any possibility of preserving the competition which the defendant's product would otherwise supply.

REASONS FOR GRANTING THE WRIT.

Summary Statement.

1. The grant of a Preliminary Injunction without evaluating the specifics of the claims and evidence relating to the defenses of antitrust violations and the related defenses of unclean hands and public policy considerations, and without finding as to the likelihood of defendant's success in establishing those defenses upon trial, is contrary to the principles established by prior

decisions of this Court and to Section 33(a) and 33(b)(7) of the Trademark Act (15 U. S. C. §§ 1115(a) and (b)(7)).

2. The use of a trademark to establish or maintain a monopoly or otherwise to violate the antitrust laws or related public policy, is a complete defense to an action for infringement of the trademark. The defense is not of "limited applicability and viability"; it does not merely rebut the "incontestability" of a registered trademark, but by reason of both Section 33(b)(7) and the legal principles established by this Court, it is a complete bar to enforcement of a trademark which has been and is being used as an instrument of antitrust violations.

3. The use of a trademark "progressively to embrace new opportunity as it opened,"⁴ where the trademark has been an integral part of a monopoly, is an unlawful use of the trademark in violation of the antitrust laws and public policy, and the courts will not enforce the trademark in such situation. This principle is particularly applicable where, as here, the owner of the trademark has been used in connection with a 100% monopoly of the critical component of the "new opportunity," and where the trademark is used to "embrace" the "new opportunity" which has been created by a new entrant.⁵

4. Quoted from *American Tobacco Co. v. United States*, 328 U. S. 781, 814 (1946).

5. See *U. S. v. Griffith*, 334 U. S. 100, 107 (1948). Reynald Swift, plaintiff's Director of Product Management, confirmed at his deposition that Church & Dwight is the "sole supplier" of baking soda to the housewife. (Swift Dep., 154; A. 141.) As to what the consuming public knows about the Arm & Hammer baking soda monopoly, Mr. Swift testified as follows (Swift Dep., 154, A. 141):

"If consumers were asked who makes baking soda, they would say Arm & Hammer, and if they were then further asked, 'Do you know anyone else?' I'm sure their answer would be, 'No, I don't.'"

Mr. Lewis G. Abney, Product Manager for plaintiff Church, testified as follows (Abney Dep., 114; A. 127):

"Q. Do you know of any manufacturer other than Church & Dwight that sells baking soda to the consumer, Mr. Abney?"

"A. No."

4. "The use of monopoly power, however lawfully acquired to foreclose competition, to gain a competitive advantage or to destroy a competitor," has been held by this Court to be unlawful, and where a trademark has been an integral part of a monopoly in one market, the use of that trademark to gain a competitive advantage in another market is also, by the same rationale, unlawful.

5. Where the owner of the Arm & Hammer trademark identifying baking soda has maintained a 100% monopoly of the baking soda market, and then uses its trademark to introduce and market a deodorant containing baking soda as an advertised ingredient under that trademark only *after* a baking soda-containing deodorant has been developed and introduced by another, *and for the specific purpose* of foreclosing and defeating the new baking soda-containing deodorant, the trademark owner's action is a misuse of its monopoly power that violates the antitrust laws, is contrary to public policy, and is subject to the "unclean hands" defenses and the courts will not grant injunctions or other remedies to the owner of the trademark against the alleged infringer.

6. It is error to grant a preliminary injunction to prevent the use of an allegedly infringing trademark without a specific finding, based upon an evaluation of the evidence and the allegations, as to the likelihood that defendant will be able to establish its "antitrust" defenses, especially where the injunction terminates the marketing of the product beyond realistic possibility of resumption, with the consequence of great loss to the alleged infringer and the destruction of competition.

7. It is error to grant a preliminary injunction where, for almost a year, defendant has been needlessly and erroneously denied an opportunity for discovery of facts fully to establish its "antitrust" defenses by reason of a Rule 42(b) order. This is particularly true where the Rule 42(b) order was erroneous, as this Court has held in comparable cases, because it amounts to denial of a jury trial and because the "trademark" and the

"antitrust" issues are neither "separable" nor "distinct and independent."⁶

8. The questions presented are of great importance to the maintenance of our competitive system and for the vindication of the antitrust laws and public policy, particularly in view of the great significance of the current use of trademarks to establish the dominance of many products in our economy and the difficulties of competing with established trademarked products.

9. Although the basic principles upon which we rely have been established by this Court, this Court has not squarely ruled on the questions presented, but should do so.

Summary Argument.

1. *Decisional law and the Trademark Act clearly establish that a trademark may not be used as part of conduct in violation of the antitrust laws.* The Trademark Act expressly preserves the right of opposing parties to prove "any legal or equitable defenses which might have been asserted if such mark had not been registered" (Act, § 33(a); 15 U. S. C. § 1115 (a)), but provides that the otherwise "incontestable" right of a registrant, that arises upon compliance with statutory requirements, to use and enforce its mark is defeated when it is established "That the mark has been or is being used to violate the antitrust laws of the United States" (Act, § 33(b)(7); 15 U. S. C. § 1115(b)(7)). We submit that this language evidences the congressional intent that antitrust violations not only destroy the statutory presumption of incontestability, but also that proof of such violations constitutes a defense to enforcement of the trademark. In any event, prior decisions of this Court demonstrate that, apart from any statutory command, proof of antitrust violations is a complete defense to charges of trademark infringement.

6. Quoted from *Gasoline Products Co., Inc. v. Champlin Refining Co.*, 283 U. S. 494, 500 (1931).

As this Court stated in *Timken Roller Bearing Co. v. United States*, 341 U. S. 593, 599 (1951), "the Trademark Act of [July 5] 1946 itself penalizes use of a mark to violate the antitrust laws of the United States."⁷ In the landmark case, *Ford Motor Co. v. United States*, 405 U. S. 562 (1972), this Court reiterated this holding. Speaking of trademarks, the Court said:

"If it becomes a tool to circumvent free enterprise and unbridled competition, public policy dictates that the rights enjoyed by its ownership be kept within their proper bounds." *Id.* 576, footnote 11.

The Court stressed that the availability of antitrust defenses was even more clearly mandated in the case of trademarks than with respect to patents: "Even constitutionally protected property rights such as patents may not be used as a lever for obtaining objectives proscribed by the antitrust laws." *Ford Motor Co.*, 405 U. S. 562, 576, footnote 11 (1972).⁸ See also *United States v. Bausch & Lomb Optical Co.*, 321 U. S. 707 (1944).⁹

7. The Court stated, "The reason for the penalty provision was that 'trade-marks have been misused . . . have been used in connection with cartel agreements'." *Timken, supra*, at 599, footnote 8, quoting from 92 Cong. Rec. 7872.

8. Cf. this Court observations in the early Trade Mark Cases: that the system of trademark property and the civil remedies for its protection existed "long anterior to the Act of Congress"; and that trademarks are properly subject to appropriate legislative restriction because, unlike patents or copyrighted works, they have "no necessary relation to invention and discovery" and make no contribution to the public domain. (100 U. S. 82, 94 (1879).)

9. "A distributor of a *trade-marked article* may not lawfully limit by agreement, express or implied, the price at which or the persons to whom its purchaser may resell . . . even the *additional protection of a copyright* [citing cases] or of a *patent* [citing cases] adds nothing to a distributor's power. . . ." (Emphasis supplied.) 321 U. S. at 721. See also, District Judge Forman's opinion in *United States v. General Electric Co.*, 82 F. Supp. 753 (D. N. J. 1949) (the "Mazda" lamp trademark-monopoly case).

The present case calls for vigorous application of this doctrine. It involves a monopoly—a 100% monopoly—in which the trademark (Arm & Hammer) has been used for over 100 years and where, as the record shows, the owner of the trademark has used its *monopoly power* and the carefully nurtured public understanding that any baking soda product is an “Arm & Hammer product” to prevent any new entrance into the field. The trademark is “the heart”—the essential sword and tool—of the monopolist’s ability to protect and extend its monopoly; to embrace new opportunities for its use including those developed by others, potential competitors, and to combat and defeat any product of others containing baking soda. (*Cf. Matter of Borden, infra.*)

What must be proscribed in the present case is the misuse of Church’s monopoly power—through the use of its Arm & Hammer trademark—to extend its monopoly to products containing baking soda. Such misuse has previously been curtailed by this Court in an analogous situation¹⁰ in *United States v. Griffith*, 334 U. S. 100 where it was emphatically stated that:

“The antitrust laws are as much violated by the prevention of competition as by its destruction . . . it follows *a fortiori* that the *use of monopoly power*, however lawfully acquired, to foreclose competition, to *gain a competitive advantage*, or destroy a competitor, is *unlawful*.” (334 U. S. at 107.) (Emphasis supplied.)

Recently this Court again had occasion to address itself to the interaction of trademarks and antitrust where trademarked articles were involved in practices violating Section 1 of the Sherman Act, and, again, its decision demonstrated that the

10. In *United States v. Griffith*, 334 U. S. 100 (1948), this Court held that it was a violation of Sections 1 and 2 of the Sherman Act where defendant theater operators had used their combined monopoly positions in certain towns (one market) to gain competitive advantages in other towns (a second market) where they had no monopoly. This is analogous to the use of Church’s monopoly power in the baking soda market to gain a competitive advantage in the baking soda deodorant market.

rights stemming from a trademark are of no avail when they are part of practices in restraint of trade. *United States v. Topco Associates*, 405 U. S. 596, 600 (1972).¹¹

2. *Use of a trademark and trademarked product in violation of the antitrust laws results in non-enforceability of the trademark.* This Court has not specifically ruled upon the precise question of the availability and effect of “antitrust” defenses to the defendant in resisting an action for infringement of the mark. This is a question of great importance because of the increasing dominance of trademarked products—a phenomenon which is particularly evident in the enormous growth of franchise operations based upon the use of registered trademarks. See, e.g., *Topco* and *Chicken Delight, supra*, and *Matter of Borden, infra*.

Holdings of this Court in analogous situations, however, as well as the specific language of Sections 33(a) and 33(b)(7) of the Trademark Act, establish that neither injunctive relief nor damages will be awarded for trademark infringement where the mark is used contrary to public policy or as part of a program to effect results that are unlawful or contrary to public policy. In two early decisions of this Court, cited with approval by this Court in the landmark case of *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488 (1942), this Court refused to allow a trademark owner to maintain an infringement action where the trademarked product was being sold so as to injure the public interest. In *Worden & Co. v. California Fig Syrup Co.*, 187 U. S. 516 (1903), plaintiff sued for infringement of its trademark “Syrup of Figs,” used to identify a laxative. The lower court sustained plaintiff’s claim for infringement, but this

11. In *Topco*, the Court held that restrictions upon the freedom of a cooperative’s members to trade as they sought fit could not be justified either by the fact that the goods were trademarked as private brands or by the economic desirability of the imposed restrictions to enable members to compete with chain stores. *Cf. Siegel v. Chicken Delight, Inc.*, 448 F. 2d 43 (CA 9, 1971) (sustaining treble damage action by franchisee based on franchiser’s sale of trademarked item on tie-in conditions).

Court reversed and ordered dismissal of the complaint. The laxative element, according to the Court, was not fig juice, but senna. The Court held that, in view of the public injury, "the right to the exclusive use [of the trademark] cannot be maintained." (*Id.*, at p. 528.) To the same effect is *Manhattan Medicine Co. v. Wood*, 2 S. Ct. 436, 441 (1883).

The rationale of these cases is, of course, equally applicable to situations where the trademarked article is being sold in violation of the public policy reflected in the antitrust laws. As stated by this Court in *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488 (1942), citing the above trademark cases: "The patentee, like these other holders of an exclusive privilege granted in the furtherance of a public policy [*i.e.*, trademarks], may not claim protection of his grant by the courts where it is being used to subvert that policy." (At 494.) The court proceeded to state that "It is unnecessary to decide whether respondent has violated the Clayton Act, for we conclude that in any event the maintenance of the present suit to restrain petitioner's manufacture or sale of the alleged infringing machines is contrary to public policy. . . ." (At 494.)

Indeed, this Court has recognized that implementation of antitrust policies requires, in appropriate circumstances, not only that the trademark should not be enforced, but also that the owner of a trademark should be deprived of its use. In *Ford Motor Co. v. United States*, 405 U. S. 562 (1972), the Court sustained a decree that Ford would be prohibited for five years from using its trademark "Ford" on sparkplugs in order to give effect to the decree's requirement that Ford divest itself of Autolite's sparkplug business which it had acquired in violation of the antitrust laws.

In *FTC v. Procter & Gamble Co.*, 386 U. S. 568 (1967), the Court upheld an order of the FTC under Section 7 of the Clayton Act blocking what was characterized as a "product extension merger" of Clorox, which had nearly 50 percent of the market in liquid bleach sales, into Procter & Gamble, which had

54 percent of all packaged detergent sales but which did not sell liquid bleach. Among the reasons given by the Court for affirming the order were that

"the liquid bleach industry was already oligopolistic before the acquisition, and price competition was certainly not as vigorous as it would have been if the industry were competitive. The acquisition may also have the tendency of raising the barriers to new entry. The major competitive weapon in the successful marketing of bleach is advertising." [The Court had previously stated that there were no technical barriers to entry, such as patents or shortages of raw material as is the case here.]

Where trademark advertising is coupled with an actual monopoly, as is the case here, and where such advertising is coupled with an intent to "pre-empt" the merger¹² and a demonstrated intent to discourage others from entering the baking soda deodorant market, as is also the case here,¹³ a Section 2 Sherman Act violation is made out.

The importance and applicability of these principles in a monopoly situation like the present case are illustrated by a

12. In a document in whose preparation Lewis G. Abney (plaintiff's Product Manager for its baking soda underarm deodorant) was very much involved (Abney Dep. 127), the Church & Dwight plan to use its trademark *ARM & HAMMER* as a powerful anti-competitive device with which to badger competition was stated bluntly, in plain and unvarnished terms, as follows (Defendant's Church & Dwight Deposition Exhibit 7, Doc. page P9291):

"General Advertising Strategy"

* * *

"4. Pre-empt all competitive (or potentially competitive) deodorants which contain baking soda by capitalizing upon the *ARM & HAMMER* name." (Emphasis supplied.)

13. It is established in the record that Church & Dwight increased its advertising in the Denver area upon discovering that Johnson & Johnson was attempting to test market its *SHOWER TO SHOWER* baking soda deodorant. It is also established in the record that Church & Dwight has caused Colgate Palmolive to change the label on its *PEAK* toothpaste package for a toothpaste which contains baking soda as an advertised ingredient.

recent Federal Trade Commission proceeding. *Matter of Borden, Inc.*, FTC Docket No. 8978 (Antitrust Tr. Reg. Rep. BNA No. 780 (G-1, 1976)). Borden occupied between 75 and 90% of the national market for processed lemon juice, which it sold under its trademark ReaLemon. The Administrative Law Judge, in an unusually illuminating opinion, demonstrated the interrelationship between trademarks and monopoly position. He held that, "The heart of the monopoly power preserved and maintained by respondent Borden lies in the ReaLemon trademark and its dominant market position." (Borden at G-7.) He concluded that "For competition to enter the processed lemon juice industry, the barrier to entry which inheres in the ReaLemon trademark must be eliminated." As a consequence, he ordered compulsory licensing of the trademark.

Similarly, we submit that for the courts to permit Church to enforce Arm & Hammer trademark, which is "the heart" of its 100% monopoly in the consumer baking soda market, in a new field would be to sanction the extension of its monopoly in clear violation of antitrust law and policy as enunciated in *Griffith, supra*. And it is obviously error, with profound implications for our law and public policy, to hold, as the Seventh Circuit did in the present case where the trademark is "the heart" of a 100% monopoly, that "antitrust defenses to trademark infringement claims . . . [are of] limited applicability and viability", and on this basis to affirm a preliminary injunction which, in effect, finally terminates the entry of a competitor.

The court's extraordinarily limited view of available anti-trust defenses is graphically demonstrated by its reference, without any factual discussion, to the relevant allegations and evidence before it. Proceeding on a basic misconception of the interrelationship of antitrust practices and trademark enforcement, the Court of Appeals referred to "the questionable legal sufficiency of Curtis' allegations of violations of antitrust violations." (560 F. 2d at 1337, A. 19.) Those "allegations," which the court held were of "questionable legal sufficiency," embraced

practically all monopolistic, restrictive and predatory practices recognized in our law. They include the following:

- Plaintiff had used and exploited its trademark to achieve and maintain a 100% monopoly of the consumer market for baking soda for more than 100 years in the marketplace;
- Plaintiff harassed others, including the defendant, who introduced or sought to introduce consumer products containing baking soda or who used the word "Arm"; it did so by making and marketing fighting products; by intimidation of potential competitors and potential customers; by product disparagement; and by litigation;
- Only after Curtis had filed to register its trademark for an underarm deodorant did the plaintiff Church seek to register its mark for the same type of product; and only after defendant Curtis had developed and begun marketing a novel product containing baking soda (underarm deodorant), did plaintiff for the first time begin to market a personal deodorant under an extension of its "Arm & Hammer" mark; and it represented that the product so marked was "The Baking Soda Deodorant" (implying, by reliance upon the trademark's established monopoly, that it was *the only* authentic baking soda deodorant).

These allegations were supported by evidence in the record, despite the fact that Curtis had been enjoined from discovery with respect to the issue, showing the following: Church's 100% monopoly of baking soda; the identification in the marketplace of baking soda with the trademark Arm & Hammer so that they were practically synonymous with the minds of competitors; Church had never manufactured or sold a personal deodorant until after Curtis entered the field with its "baking soda" product; Church was not theretofore engaged in the cosmetics or personal toilet goods business and its registrations of Arm & Hammer did not include a personal deodorant; Church rushed a competing product to market, without the usual test marketing, using its trademark "Arm & Hammer" to combat and defeat

Curtis' entrant; Church had taken similar retributive action to combat the introduction, and otherwise to interfere with, a baking soda personal deodorant by Johnson & Johnson under the trademark "Shower to Shower" and of a dentrifice containing baking soda introduced by Colgate.

Both the Court of Appeals and the District Court recognized the principle that a preliminary injunction should not be issued unless it is found that "there is a likelihood that plaintiff will prevail on the merits," but neither court made or felt it necessary to attempt to make such a finding with respect to the antitrust defenses or related public policy and unclean hands defenses or to discuss the specific factual allegations and evidence relating to those issues. On the contrary, they dismissed the defenses as insufficient as a matter of law, and granted a preliminary injunction, with terminal effects upon petitioner's entrance into the market. We respectfully submit that this raises a question of vital importance upon which this Court should rule.

3. *The issuance of the preliminary injunction in face of the denial of discovery resulting from the Rule 42(b) order was clearly erroneous. That order's prohibition of discovery as to the antitrust defenses, which was in effect for almost a year before issuance of the preliminary injunction and which still remains in force almost two years after being issued in February, 1976, needlessly and erroneously deprived Curtis of an opportunity to discover additional evidence to establish those defenses for purposes of combating the motion for preliminary injunction.*

This Court has reviewed and reversed orders for separate trials. It has made it clear that separate trials may be ordered only if the issues are "so distinct and separable from the others that a trial of it alone may be had without injustice". *Gasoline Products Co., Inc. v. Champlin Refining Co.*, 283 U. S. 494, 500 (1931). Particularly where, as here, the deferred antitrust issue as well as the infringement issue must be tried to a jury, this Court has held that severance of a related issue for prior and separate trial is impermissible because its effect is to deny

the substance of the right to a jury's consideration of all of the facts and issues. This is clearly established by *Beacon Theatres, Inc. v. Westover*, 359 U. S. 500 (1959), a mandamus action. In that case, the trial court had ordered a separate and prior trial of the complaint which requested equitable, declaratory relief for alleged antitrust violations, and deferred trial of defendant's antitrust counterclaim for damages, as to which defendant demanded jury trial. The Court of Appeals refused the writ, but this Court reversed on the grounds that the net effect of a prior trial to the court of the equitable issues would have the effect of denying defendant's right to a jury trial.

The present case is obviously *a fortiori* since admittedly, as demanded by the plaintiff itself, all issues, including those raised by the complaint, must be tried to a jury and the effect of the order is to require the jury to consider and render judgment on the complaint without reference to the crucial facts—the "anti-trust" defenses. *Cf. Thermo-Stitch, Inc. v. Chemi-Cord Processing Corp.*, 294 F. 2d 486 (CA 5, 1961) (opinion by Wisdom, Cir. J.); *Mach-Tronics, Inc. v. Zirpoli*, 316 F. 2d 820 (CA 9, 1963), a mandamus action in which the court set aside an order for separate trials on the following basis:

"We do not see any way in which the respondent could avoid coming to grips with the contention made in the treble damage complaint that the action was brought in the state court for the purpose of giving effect to Ampex's unlawful monopolistic scheme." (At 830.)

The effect of the Rule 42(b) order in the present case fits precisely within the condemnation of *Gasoline Products* and *Westover*. The antitrust-public policy defenses which the order defers for subsequent trial are neither "distinct or separable from" nor "independent of" the issues of enforceability of plaintiff's trademark so as to permit separation of the issues for trial or for purposes of a preliminary injunction. They are the essence of the case.

In the present case, the separation order is also clearly erroneous because jury trial has been demanded and is required with respect to the entire case. The result of the Rule 42(b) order will be that plaintiff's complaint, presenting the issues of validity, infringement, accounting and damages will be determined by a jury in one trial, and thereafter, in a separate trial, defendant's antitrust defenses will be separately presented to a jury—the issues of validity and enforceability having been previously and finally adjudicated in the prior jury trial! Obviously, the net effect of this procedure is to deny the reality of a jury trial to defendant to establish its defense to the complaint as well as its counterclaims. This is forbidden by the Fifth and Seventh Amendments to our Constitution, the specific language of Rule 42(b), by Federal Rules of Civil Procedure Rule 38(a), and by the decisions of this Court, *supra*.

The erroneous Rule 42(b) order, which Curtis has continuously opposed since its entry, also explicitly stayed all proceedings, including discovery, with respect to defendant's antitrust defenses. The result was to deny to defendant an opportunity to develop evidence which would have been available with respect to plaintiff's motion for preliminary injunction. The practical importance of this denial, and the absence of any justification for granting preliminary injunction while it was in effect, is clear from the chronology: Plaintiff's action was filed on May 16, 1975; the District Court entered its Rule 42(b) order on February 25, 1976; plaintiff's motion for preliminary injunction was not filed until June 10, 1976; and the preliminary injunction was not issued until January 24, 1977. During the interim, except for the prohibitions of the Rule 42(b) order, defendant would have had an opportunity, without delaying consideration of the motion for preliminary injunction, to discover additional evidence in support of its antitrust defenses. Certainly, plaintiff should have been barred from obtaining injunctive relief in these circumstances, at least until the effects of the Rule 42(b) order were dissipated by giving

defendant an opportunity for adequate discovery with respect to its antitrust defenses. In the circumstances of this case, denial of this opportunity made issuance of the preliminary injunction clearly erroneous, and it was a denial to defendant of its rights to due process.

CONCLUSION.

For reasons stated, Petitioner prays that a writ of certiorari be issued to review the judgment herein of the United States Court of Appeals for the Seventh Circuit.

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